Trump Student Loan Policy Changes: A Complete Guide for Borrowers (2026)

Student loan policies in the United States have undergone significant changes under President Donald Trump's administration. Following the passage of the **One Big Beautiful Bill Act (OBBBA)** in 2025, the federal student loan system entered one of its biggest overhauls in decades. Most of these changes became effective on **July 1, 2026**, impacting millions of current and future borrowers.

Whether you're a current student, a recent graduate, or planning to finance higher education, understanding these policy changes is essential. This guide explains the major reforms, who is affected, and what borrowers should expect moving forward.

Why Did Trump Change Student Loan Policies?

The Trump administration stated that the primary goals of the reforms were to:

- Simplify the federal student loan repayment system
- Reduce long-term government spending
- Limit excessive student borrowing
- Encourage responsible lending
- Reduce taxpayer costs associated with loan forgiveness programs

Supporters argue these reforms create a more sustainable loan system, while critics believe they may increase financial pressure on borrowers, especially graduate students and lower-income families.

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1. SAVE Repayment Plan Is Being Eliminated

One of the most significant changes is the phase-out of the **Saving on a Valuable Education (SAVE)** repayment plan.

Borrowers currently enrolled in SAVE must transition to another eligible repayment option within the designated timeframe. Those who do not choose a new plan may be automatically placed into another repayment option depending on federal guidance.

Impact

- Monthly payments may increase for many borrowers.
- Interest subsidy benefits under SAVE are ending.
- Existing borrowers need to review their repayment options carefully.

2. Introduction of the Repayment Assistance Plan (RAP)

The administration introduced a new **Repayment Assistance Plan (RAP)** as the primary income-driven repayment option for new borrowers.

Key features include:

- Payments generally based on adjusted gross income
- Payment percentages ranging from approximately 1% to 10% depending on income
- Loan forgiveness after up to 30 years of qualifying payments
- Protection against negative amortization in many cases

The RAP is intended to replace several previous income-driven repayment plans with a simpler structure.

3. Fewer Repayment Plan Choices

The number of federal repayment options has been reduced.

For many new federal loans issued after July 1, 2026, borrowers generally choose between:

- Repayment Assistance Plan (RAP)
- Tiered Standard Repayment Plan

Older borrowers with existing loans may retain access to certain legacy repayment plans for a transition period, depending on eligibility.

4. New Standard Repayment Terms

Instead of one standard repayment schedule, repayment periods now vary based on total loan balances.

Loan repayment terms generally range from:

- 10 years
- 15 years
- 20 years
- 25 years

Borrowers with larger loan balances receive longer repayment periods to reduce monthly payments.

5. New Limits on Graduate Student Loans

Graduate borrowing rules have changed substantially.

Examples include:

- Graduate students generally face lifetime federal borrowing caps.
- Professional degree programs (such as medicine, dentistry, or law) may qualify for higher borrowing limits under specified rules.

These limits are intended to reduce excessive federal lending while maintaining access for certain professional programs.

6. Parent PLUS Loan Restrictions

Parents financing their children's education through Parent PLUS loans are also affected.

New limits include:

- Annual borrowing caps
- Lifetime borrowing caps per student

These restrictions reduce the amount parents can borrow through federal programs compared with previous rules.

7. Changes to Student Loan Forgiveness

Student loan forgiveness remains available in some cases, but several changes have occurred.

Public Service Loan Forgiveness (PSLF)

The administration attempted to narrow eligibility for certain employers, but federal courts blocked portions of those changes while litigation continues. As a result, the long-term rules remain subject to ongoing legal proceedings.

Income-Driven Repayment Forgiveness

Borrowers under newer repayment structures may qualify for forgiveness after extended repayment periods, though the timelines and requirements differ from previous programs.

8. Potential Tax Implications

Temporary federal tax relief for certain forgiven student loan balances has expired.

This means that, in some situations, forgiven balances under income-driven repayment plans may again be considered taxable income under federal law. Public Service Loan Forgiveness generally remains exempt under current rules. Borrowers should consult current IRS guidance or a tax professional for their specific situation.

9. Autopay Incentives

To encourage consistent repayment, borrowers who enroll in automatic payments may qualify for a temporary interest-rate reduction under current federal rules.

Who Is Most Affected?

These policy changes have different impacts depending on the borrower.

Current Borrowers

- May need to switch repayment plans.
- Could experience higher monthly payments if previously enrolled in SAVE.
- Should review available repayment options before transition deadlines.

Future Students

- Face stricter borrowing limits.
- Have fewer repayment plans available.
- Need to plan educational financing more carefully.

Graduate Students

- Most affected by borrowing caps.
- Some professional degree programs receive higher federal loan limits than standard graduate programs.

Advantages of the New Policy

Supporters of the reforms argue that they:

- Simplify repayment options
- Reduce taxpayer-funded loan forgiveness costs
- Encourage responsible borrowing
- Limit excessive federal lending
- Create more predictable repayment structures

Criticisms of the Changes

Critics argue that the reforms may:

- Increase monthly payments for some borrowers
- Reduce flexibility in repayment choices
- Make graduate education more difficult to finance
- Increase reliance on private student loans
- Limit access to affordable higher education for some students

What Borrowers Should Do Now

If you have federal student loans, consider taking these steps:

- Review your current repayment plan.
- Determine whether you are affected by the phase-out of SAVE.
- Compare available repayment options.
- Understand any new borrowing limits if you plan additional education.
- Monitor official announcements from the U.S. Department of Education, especially if you are pursuing loan forgiveness.

Final Thoughts

The Trump administration's student loan reforms represent one of the largest changes to the federal student loan system in years. By reducing repayment options, introducing the Repayment Assistance Plan (RAP), eliminating the SAVE plan, imposing stricter borrowing limits, and revising aspects of loan forgiveness, the administration aims to reshape how Americans finance higher education.

For current borrowers, staying informed and selecting the most appropriate repayment plan is increasingly important. Prospective students should also understand the new borrowing limits and repayment rules before taking on federal student debt. As some aspects of these policies remain subject to litigation and future regulatory updates, borrowers should continue to follow official guidance for the latest information.